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CONTINUING CARE
CONTRACTS BRANCH

ANNUAL REPORT
CHECKLIST
FOR
FISCAL YEAR ENDED: December 31, 2013

PROVIDER: **California Friends Homes**

FACILITY(IES): **Quaker Gardens Senior Living**

CONTACT PERSON: Juliana Spelman

TELEPHONE NO.: 714-971-6854

****

Your complete annual report must consist of 3 copies of the following:

[X] This cover sheet.

[X] Annual Provider Fee in the amount of: $33268.81

[X] Certification by the provider's chief executive officer that:

- [X] The reports are correct to the best of his/her knowledge.
- [X] Each continuing care contract form in use or offered to new residents has been approved by the Department.
- [X] The Provider is maintaining the required liquid reserve and refund reserve.

[X] Evidence of the provider's fidelity bond.

[X] The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

[X] The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.

[X] The provider's "Continuing Care Retirement Community Disclosure Statement" for each community.

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents		TOTAL
[1]	Number at beginning of fiscal year		60
[2]	Number at end of fiscal year		48
[3]	Total Lines 1 and 2		108
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x	0.50
[5]	Mean number of continuing care residents		54
	All Residents		
[6]	Number at beginning of fiscal year		253
[7]	Number at end of fiscal year		232
[8]	Total Lines 5 and 6		485
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x	0.50
[10]	Mean number of all residents		242.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).		0.22

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]	Total Operating Expenses			15,440,767
	[a] Depreciation	500,927		
	[b] Debt Service (Interest Only)	-		
[2]	Subtotal (add Line 1a and 1b)			500,927
[3]	Subtract Line 2 from Line 1 and enter result.			14,939,840
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)			0.22
[5]	Total Operating Expense of Continuing Care Residents (multiply Line 3 by Line 4)			3,326,810
			x	0.001
[6]	**Total Amount Due** (multiply Line 5 by .001)			3,326.81

Provider: **California Friends Homes**
Community: **Quaker Gardens Senior Living**

Quaker Gardens
Senior Living

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June 27, 2014

Allison Nakatomi

Department of Social Services

744 "P" Street, M.S. 10-90

Sacramento, CA. 95814

RE: Direct Method Cash Flow

Dear Allison:

I certify that the Direct Method Cash Flow that is attached has been reviewed by our auditors, Michael L. Piles CPAs, LLP. They have assured us that they found it to be accurately stated.

Sincerely,

Randal Brown, Chief Executive Officer

Quaker Gardens Senior Living

California Friends Homes

PEACE CHURCH
RISK RETENTION GROUP

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JUN 30 2014
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20 Kimball Avenue - Suite 305, Burlington, VT 05403
Phone: 802-862-4009 Fax: 802-862-3902
2160 Lincoln Highway East - Suite 6, Lancaster, PA 17602
Phone: 717-293-7840 Fax: 717-293-7854

December 20, 2013

California Friends, Inc.
Attn: Richard Nordsiek
12151 Dale Avenue
Stanton CA 90680

Re: **Peace Church Risk Retention Group (a Reciprocal) –PCRRG**
Caring Communities Reciprocal Risk Retention Group - CCrRRG
Renewal Offer for Policy Year 2014
Policy Number: PCRRG-0031-14 and CCrRRG-0031-14

Dear Richard,

Peace Church Risk Retention Group (PCRRG) is pleased to present **California Friends, Inc.** the attached Insurance Renewal offer for Policy Year 2014. We have also included the CCrRRG Excess proposal.

As you review this proposal remember all PCRRG policyholders' 2014 premiums are subject to four components within the premium setting process:

1. Claims made step rating.
2. Mature base rate change (none in 2014).
3. SIR credits.
4. Changes in common and miscellaneous (ancillary) exposures and territorial adjustments.

Claims Made Step Rating

Your renewal has reached the fully matured Claims Made Factor of 1.00.

Base Rate

PCRRG's actuary completed the annual loss cost study. This study is performed each year to evaluate PCRRG's rate adequacy and establish the appropriate rate for the forthcoming year. For the 2014 Policy Year the actuaries reviewed the Base Rate, Territorial, and Size of Account factors. The PCRRG Subscribers Advisory Committee approved recommendations from the Underwriting Committee for the 2014 Policy Year as follows:

- **Base Rates:** The overall Base Rate, applicable to all PCRRG Subscribers will remain the same..
- **Territorial Factors:** A reduction in several Territorial Factors, applicable only to specific territories. Based on the actuary's recommendation there will be a reduction in some of the territorial factors for the 2014 Policy Year, while other territories will remain the same as 2013.
- **Ancillary Rate:** Ancillary rates will stay the same in 2014.

PEACE CHURCH
RISK RETENTION GROUP

20 Kimball Avenue - Suite 305, Burlington, VT 05403
Phone: 802-862-4009 Fax: 802-862-3902

2160 Lincoln Highway East - Suite 6, Lancaster, PA 17602
Phone: 717-293-7840 Fax: 717-293-7854

Renewal Terms of Insurance – PCRRG

Effective Date: January 1, 2014 at 12:01 a.m.

Insurer: Peace Church Risk Retention Group (a reciprocal), Vermont, USA

Policyholder: **California Friends, Inc.**

Additional Insureds: as applied for

Policy Form: Senior Services Organization Liability Policy **CLAIMS MADE**

Policy Term: January 1, 2014 - January 1, 2015 at 12:01 a.m.

Retroactive Date: January 01, 2004

Retention: **$ 50,000.** each loss (damages and expenses)

Primary Coverages: Professional Liability
Commercial General Liability
Employee Benefits Liability

Primary Coverages Limit of Liability: $1,000,000 each loss and $ 3,000,000 policy period aggregate, all coverages

2014 PCRRG Estimated Renewal Premium:

ANNUAL ESTIMATED PREMIUM: $ 118,362.00

First Installment: **$29,590.50** (25% due at renewal and each quarter).

Conditions and Special Terms:

PCRRG estimated the 2014- renewal premium. Premiums may be subject to audit.

Please fax or E-mail your acceptance of the above terms to: charlotte@ResourcePartnersOnline.org

EXCESS PREMIUMS

Excess Insurance:	**$57,478.00 due at policy renewal**
Excess Auto:	**$ 3,567.00 due at policy renewal**
TOTAL PREMIUM	**$61,046.00**
PREMIUM TAXES	**Premium Tax and Fee will be applied to the invoice.**

Conditions and Special Terms

CCrRRG estimated renewal premium. Premiums may be subject to audit.

CCrRRG is now responsible for ascertaining and remitting premium taxes to the applicable state(s)

Should you wish additional limits of excess coverage, please fax or e-mail your request to: charlotte@ResourcePartnersOnline.org

Verify Acceptance of coverage limits by e-mail to: charlotte@ResourcePartnersOnline.org

CARING COMMUNITIES
"a better experience"

Caring Communities, a Reciprocal Risk Retention Group
BINDER OF EXCESS INSURANCE

Effective Date of Coverage:	01/01/2014 at 12:01AM
Policy Number:	CC-PCRRG-0031-14
Insurer:	Caring Communities, a Reciprocal Risk Retention Group
POLICYHOLDER:	California Friends Inc.
Policy Form:	Excess Senior Services Organization Liability Policy **Claims Made**
Policy Term:	01/01/2014 to 01/01/2015 both at 12:01AM
Policy Retroactive Date :	01/01/2004

Underlying Insurance Requirements:

Senior Services Organization Professional Liability	$1,000,000 Per CLAIM
Commercial General Liability	$1,000,000 Per CLAIM
Employee Benefit Programs Liability	$1,000,000 Per CLAIM
Automobile Liability	$1,000,000 Each Accident
Employers' Liability	$500,000 Per Accident $500,000 Disease Each Employee $500,000 Disease Policy Limit

Excess Coverages Limits of Liability:

Senior Services Organization Professional Liability	$5,000,000 Per CLAIM
Commercial General Liability	$5,000,000 Per CLAIM
Advertising Injury Liabilty	$5,000,000 Per CLAIM / Policy Period Aggregate
Watercraft Liability	$5,000,000 Per CLAIM / Policy Period Aggregate
Employee Benefits Liability	$5,000,000 Per CLAIM / Policy Period Aggregate
Automobile Liability	$5,000,000 Each Accident

CARING
COMMUNITIES

Caring Communities, a reciprocal Risk Retention Group
Premium Invoice

January 2, 2014

Gina Kolb, CFO
California Friends, Inc.
12151 Dale Street
Stanton, CA 90680

Policy Number: **CC-PCRRG- 0031-14**
Policy Period: **January 1, 2014 to January 1, 2015**

Excess Insurance Premium	**$**	**57,479**
Excess Automobile Premium		**3,567**
State Premium Tax		**1,435**
Total Amount Due January 15, 2014	**$**	**62,481**

Your premium payment may be remitted via check, wire transfer, ACH.

Caring Communities, a reciprocal Risk Retention Group
Attn: Chad Swigert
1850 W. Winchester Road, Suite 109
Libertyville, IL 60048

Wire Transfer or ACH Bank Routing Payment Instructions:
Caring Communities, a reciprocal Risk Retention Group
Wells Fargo
230 W. Monroe Street
Chicago, IL 60606
ABA Routing Number: 121000248
Account Number: 4121676290

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CALIFORNIA FRIENDS HOMES
dba QUAKER GARDENS

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013
WITH
INDEPENDENT AUDITOR'S REPORT

CALIFORNIA FRIENDS HOMES

Year Ended December 31, 2013

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KDCO Piels
Certified Public Accountants

640 Superior Court
Medford, OR 97504
Tel: (541)773-6633
Fax: (541)773-1965
www.kdcoCPA.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Friends Homes, dba Quaker Gardens

We have audited the accompanying financial statements of California Friends Homes, dba Quaker Gardens (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities and changes in net assets and statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Friends Homes, dba Quaker Gardens as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the 2012 financial statements have been restated to correct an error associated with the valuation of its investment in a captive insurance company. Our opinion on the financial position of California Friends Homes, dba Quaker Gardens as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended is not modified with respect to this matter.

Stewart C Parmele

Stewart C. Parmele CPA, Partner
KDCO Piels, Certified Public Accountants, LLP
Medford, Oregon
June 27, 2014

CALIFORNIA FRIENDS HOMES
STATEMENT OF FINANCIAL POSITION
December 31, 2013

Assets		
Current assets:		
Cash and cash equivalents	$	2,978,114
Accounts receivable, net		1,549,882
Supplies and prepaid expenses		542,499
Total current assets		5,070,495
Property and equipment, net		5,532,013
Other assets:		
Capital investments		733,643
Note receivable		1,390,652
Total other assets		2,124,295
	$	12,726,803
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$	1,643,221
Refundable deposits		9,000
Total current liabilities		1,652,221
Other liabilities:		
Deferred revenue from entrance fees		1,822,918
Total liabilities		3,475,139
Net assets:		
Unrestricted		9,221,987
Temporarily restricted		29,677
Total net assets		9,251,664
	$	12,726,803

See notes to financial statements

CALIFORNIA FRIENDS HOMES
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Resident service fees	$ 9,016,254	$ -	$ 9,016,254
Health center revenue	5,993,543	-	5,993,543
Entrance fees earned	951,680	-	951,680
Contributions	5,000	50,064	55,064
Friends Church endowment income	23,131	-	23,131
Interest income	1,496	-	1,496
Interest income, note receivable	53,487	-	53,487
Other revenue	152,792	5	152,797
	16,197,383	50,069	16,247,452
Net assets released from restriction	50,706	(50,706)	-
Total revenue, gains and support	16,248,089	(637)	16,247,452
Expenses:			
Program services:			
Dietary services	2,507,006	-	2,507,006
Facility services and utilities	1,998,713	-	1,998,713
Health and social services	7,940,786	-	7,940,786
General and administrative:			
Administrative and marketing	1,988,529	-	1,988,529
Interest	3,851	-	3,851
Depreciation	500,927	-	500,927
Loss on disposal of equipment	25,629	-	25,629
Management fees	475,326	-	475,326
Total expenses	15,440,767	-	15,440,767
Operating income	807,322	(637)	806,685
Other changes:			
Unrealized change in value of capital investment	41,560	-	41,560
Total other changes	41,560	-	41,560
Change in net assets	848,882	(637)	848,245
Net assets, beginning of year (as restated)	8,373,105	30,314	8,403,419
Net assets, end of year	$ 9,221,987	$ 29,677	$ 9,251,664

See notes to financial statements

CALIFORNIA FRIENDS HOMES
STATEMENT OF CASH FLOWS
For the year ended December 31, 2013

Cash flows from operating activities	
Cash received from customers	$ 14,262,325
Other operating cash receipts	230,911
Cash paid to employees and suppliers	(14,627,768)
Interest paid	(3,851)
Contributions received	55,064
Net cash provided (used) by operating activities	(83,319)
Cash flows from investing activities	
Purchases of property and equipment	(551,078)
Capital investment - return of capital	241,013
Interest income, note receivable	(53,487)
Net cash provided (used) by investing activities	(363,552)
Net increase (decrease) in cash and cash equivalents	(446,871)
Cash and cash equivalents, January 1, 2013	3,424,985
Cash and cash equivalents, December 31, 2013	$ 2,978,114
Adjustments to reconcile to net cash provided (used) by operating activities:	
Increase in net assets	$ 848,245
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	500,927
Entrance fees earned	(951,680)
Unrealized change in value of capital investment	(41,560)
Net loss (gain) on disposal of property and equipment	25,629
Net changes in:	
Accounts receivable, net	(742,472)
Supplies and prepaid expenses	(88,803)
Accounts payable and accrued expenses	371,395
Refundable fees	(5,000)
Net cash provided (used) by operating activities	$ (83,319)
Supplemental disclosure of non-cash investing and financing activities	
Property and equipment purchases financed with accounts payable and accrued expenses	$ 53,704

See notes to financial statements

CALIFORNIA FRIENDS HOMES
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – CORPORATION

Corporation and basis of presentation – California Friends Homes, dba Quaker Gardens Senior Living (the Corporation) was founded in 1962 as a California non-profit public benefit corporation for charitable purposes. The corporation was established to provide residential facilities, health and welfare programs, and various services and sponsor programs for the elderly and operates a continuing care retirement community in Stanton, California. The community consists of 180 independent and assisted living apartments, 58 bed skilled nursing facility, and 50 memory care beds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Corporation have been prepared on the accrual basis of accounting and are presented in accordance with accounting for financial statements of not-for-profit Corporations, which requires classification of an Corporation's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be presented in a statement of financial position and that the amounts of change in each of those classes of net assets be presented in a statement of activities. The Corporation does not currently have any permanently restricted net assets. The assets, liabilities, revenues, expenses, and net assets of the Corporation are reported in the following categories:

> *Unrestricted net assets:* represent unrestricted resources available to support the Corporation's operations and temporarily restricted revenues which have become available for use by the Corporation in accordance with the intention of the donor.
>
> *Temporarily restricted net assets:* represent contributions that are limited in use by the Corporation in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Corporation according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets. Temporarily restricted net assets are available primarily for chapel expenses as designated by the donors.

Restatement of Prior Year Amounts - During the year ended December 31, 2013, the Corporation identified an error related to prior periods due to the underreporting of its capital investment in the Captive Insurance Company. The result of this underreporting is that the December 31, 2012 capital investment and net assets were understated by $645,514. These errors have been corrected by restating the January 1, 2013 capital investment and beginning net assets as follows:

	Unrestricted	Temporarily Restricted	Total
Net assets - beginning of year as previously reported	$ 7,727,591	$ 30,314	$ 7,757,905
Correction of error	645,514	-	645,514
Net assets - beginning of year as restated	$ 8,373,105	$ 30,314	$ 8,403,419

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Performance Indicator - "Change in unrestricted net assets" as reflected in the accompanying statements of activities and changes in net assets is the performance indicator. Change in unrestricted net assets includes all changes in unrestricted net assets, including unrealized change in capital investments, and excluding receipt of restricted contributions, and assets released from donor restrictions related to long-lived assets, extraordinary items, and investment returns restricted by donors or law.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues, expenses, gains and losses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include cash and other commercial paper with maturities of three months or less at the date of acquisition.

Accounts Receivable - Accounts receivable primarily represent amounts due from residents for living accommodations, services, and amounts due from third parties. An allowance for doubtful accounts is established based on past collection history and specific identification of uncollectable amounts. The Corporation's policy is to charge off uncollectible receivables when management determines the receivable will not be collected.

Supplies inventory - The accounting method used to record inventory is the FIFO (First In First Out) method. Inventory is valued at the lower of cost or market value as of December 31, 2013.

Property and Equipment - Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value as of the date of contribution. Maintenance, repairs, and minor replacements are charged to expense when incurred. Replacements and betterments with a cost of $1,000 or more are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years. When assets are retired or otherwise disposed of, the cost of the asset and its related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the Statement of Activities and Changes in Net Assets for the period.

The Corporation, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets when indicators of impairment are identified. No impairment losses were present for the year ended December 31, 2013.

Refundable Fees - The Corporation requires each applicant for independent living and assisted living to pay a $1,175 application fee; and each applicant for memory care and skilled nursing care pay a $495 application fee. This fee will be refunded if no move-in occurs. Should the resident move out within the first three months, the fee is subject to a pro-rated refund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue from Entrance Fees - Fees paid by a resident upon entering into a Lifecare contract are recorded as deferred revenue and are amortized to income over the estimated remaining actuarial life expectancy of the resident. California law requires a 90 day cancellation period during which the resident is entitled to a refund of the amounts subject to a fee to process the cancelation. After the cancelation period, residents are entitled to refunds of their entrance fee reduced by 1.67% for each month of residency should they withdraw within the first 60 months. There is no refund of any of the entrance fee in the event of death. No refunds were pending as of December 31, 2013.

Obligation to Provide Future Services - Every five years the Corporation calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from entrance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from entrance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. At December 31, 2013, no future service liability is deemed to exist.

General Liability Policy - The Corporation has secured claims-made policies for general liability insurance with self-insured retentions of $1,000,000 per claim and $3,000,000 aggregate per policy period. The Corporation has also secured excess general and professional liability insurance with limits of $5,000,000 aggregate per policy period. Policy period begins January 1, 2013, and ends January 1, 2014. The Corporation has accrued no liability as its best estimate of the cost of known claims incurred, or claims incurred but not yet reported, prior to December 31, 2013, which are within the retention amount. These liabilities would be included in accounts payable and accrued expenses in the accompanying balance sheet.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as temporarily restricted contributions and net assets released from restriction in the accompanying financial statements.

Revenue Recognition - Service fees and health center revenues are recognized in the month in which services are provided and collectability is reasonably assured. In addition, health center revenue is presented net of third party rate adjustments. Other revenue is recognized as the related services are provided and include guest services income, catering income, and other miscellaneous income.

Charity Care - As part of their charitable mission the Corporation provides care without charge or at amounts less than its established rates to residents who meet certain criteria under its charity care policy. Total charges for charity care services amounted to $295,898 for the year ended December 31, 2013.

Tax-Exempt Status - The Corporation has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related activities. No tax provision has been made in the accompanying statements of activities and changes in net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Corporation recognizes interest and penalties related to income tax matters in operating expenses. At December 31, 2013, there were no such uncertain tax positions. The Corporation is generally no longer subject to federal and state income tax examinations for the years prior to 2009.

Advertising - The Corporation expenses advertising costs as incurred. The Corporation incurred advertising costs for the year ended December 31, 2013 of $63,322.

Concentrations of Credit Risk - The Corporation maintains cash balances in several financial institutions located in California. These balances may subject the Corporation to concentrations of risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2013 cash balances exceeded amounts insured by the FDIC. Management monitors the financial condition of these institutions on an ongoing basis and does not believe significant credit risk exists at this time.

Concentration of credit risk results from the Corporation granting credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables at December 31, 2013 from residents and third-party payors, is listed at Note 3.

New Accounting Pronouncements - In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirement in U.S. GAAP and IFRSs* ("FASB ASU 2011-04"), which amended FASB ASC Topic 820, Fair Value Measurement ("FASB ASC 820") to change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. The Corporation implemented this guidance in 2013. The adoption did not have a material impact on the Corporation's financial statements.

In July 2012, the FASB issued ASU No. 2012-01, Continuing Care Retirement Communities – Refundable Advance Fees ("FASB ASU 2012-01") to clarify that an entity should classify and advance fee as deferred revenue when a continuing care retirement community has a resident contract that provides for payment of the refundable advance fee upon reoccupancy by a subsequent resident, which is limited to the proceeds of reoccupancy. Refundable advance fees that are contingent upon reoccupancy by a subsequent resident but are not limited to the proceeds of reoccupancy should be accounted for and reported as a liability. The adoption of FASB ASU 2012-01 is effective for the Corporation beginning January 1, 2013. Management does not believe FASB ASU No 2012-01 will have an impact on the Corporation.

CALIFORNIA FRIENDS HOMES
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2013 consisted of the following:

Resident monthly fees	$ 137,717
Health care	1,229,055
Miscellaneous receivables	252,299
Subtotal accounts receivable	1,619,071
Less allowance for doubtful accounts	(69,189)
Total accounts receivable	$ 1,549,882

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 consisted of the following:

Land	$ 1,039,386
Land improvements	315,889
Building	12,521,905
Furniture and equipment	2,941,932
Automobiles	215,603
Totals	17,034,715
Less accumulated depreciation	(11,502,702)
	$ 5,532,013

NOTE 5 – CAPITAL INVESTMENTS

The Corporation has made two investments in which they are active participants: Captive Insurance Company and a Risk Retention Group.

Captive Insurance Company: The Corporation is a shareholder with two other unaffiliated retirement communities in Alternative RE Holdings Limited; Cell 16L, a Bermuda holding company. The Corporation has a 34% ownership in the captive. There is a separate indemnification agreement where profits and losses are allocated based upon the percentage of participation and profitability of each facility. Arch Insurance Group maintains a re-insurance contract with Cell 16L of Alternative RE to be reimbursed for individual worker's compensation losses for the first $350,000 per claim. There is a separate re-insurance policy purchased by Cell 16L of Alternative RE for individual losses in excess of $350,000 and an aggregate loss limit that includes the three facilities. The group aggregate loss limit changes annually based upon the total payroll for the three facilities. The policy provides coverage as required by the statutory limits of the State of California.

NOTE 5 – CAPITAL INVESTMENTS (continued)

The captive insurance company allocates premiums and losses on an entity-specific basis and therefore, the Corporation accounts for its investment based on its specifically identified premiums paid, hard costs incurred, paid losses, outstanding loss reserves and incurred but not reported reserves, plus the investment income, less dividend distributions multiplied by the percentage of cash in the captive as of the reporting date. Claim experience is identified to each participating entity within the captive insurance company and subsequent premiums will be modified based on the entity's experience. At December 31, 2013 the Corporation's estimated investment in Alternative RE Holdings Limited; Cell 16L was $297,084.

Risk Retention Group: The Corporation invested in a traditional risk retention group which converted to a reciprocal mutual insurance exchange. It was formed under the Federal Liability Risk Retention Act to insure various affiliated members (subscribers) of a group of faith-based retirement Corporations. The investment amount is recorded at cost plus a reciprocal adjustment, for a total of $436,559 at December 31, 2013. The fair value of the investment is not estimated as there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value. The Corporation documents authorize the return of the charter capital account of a discontinued or withdrawing subscriber within seven years without interest as long as it doesn't cause substantial harm to the group's asset position.

NOTE 6 – MANAGEMENT AGREEMENT

On March 15, 2011, the Corporation entered into a management contract with Retirement Services, LLC (RS, LLC), a component of Pacific Retirement Services, Inc., for a term of three (3) years. The Corporation elected to terminate the contract as of September 15, 2013 and incurred a $57,790 early termination fee. Management fees charged by RS, LLC for the year ended December 31, 2013 were $475,326. The Corporation had no further obligation to RS, LLC as of December 31, 2013.

NOTE 7 – RELATED PARTY TRANSACTIONS

Friends Church Southwest Yearly Meeting (FCSYM) is the sole corporate member of California Friends Inc. (CFI), CFI is the sole corporate member of the Corporation. CFI is also the sole corporate member of California Friends Foundation, Inc. (CFF).

At December, 31, 2012, $9,487 was due from CFI related to various operational activities.

The Corporation carries a note receivable with CFF in the amount of $1,390,652. The note receivable is classified as a long term asset as the note does not require annual principal payments. Interest is accrued at 4% per annum. Unpaid interest of $53,487 was accrued to the note receivable balance for the year ended December 31, 2013. Management has determined the full amount of this receivable to be collectible after an evaluation of the underlying assets of CFF.

On February 28, 2013, the Boards of Directors of California Friends Inc. and the Corporation elected to retain the services of a current Board Member of the Corporation. The current Board Member is serving as the contract Chief Executive Officer for the Corporation. For the year ended, December 31, 2013, the Corporation paid $117,000 to this Board Member for management and oversight services.

NOTE 8 – DEFERRED COMPENSATION PLAN

The Corporation had one non-qualified deferred compensation plan for a former member of executive management, the Deferred Compensation Agreement (a defined benefit plan).

The Deferred Compensation Agreement provided vested payments in the amount of $40,000 per year, through the termination of the agreement after payment of the vested amount in 2017. On October 19, 2011, the board of directors renegotiated the deferred compensation package for the former member of executive management. The Deferred Compensation Agreement was amended to change the vested amount to $44,000 per year beginning in 2012 through the termination of the agreement after payment of the vested amount in 2017.

The deferred compensation expense for the year ended December 31, 2013 was $44,000.

NOTE 9 – THIRD-PARTY RATE ADJUSTMENTS AND REVENUE

Approximately 50% of health center revenue for the year ended December 31, 2013, was derived under federal third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position, the changes in net assets, or cash flows of the Corporation.

NOTE 10 – RETIREMENT PLAN

On June 1, 2011 the Corporation adopted a new 403(b) matching retirement plan that covers employees who have reached the age of 21 and have completed 12 months of eligibility service. Employees who normally work fewer than 30 hours per week are not covered under the plan for purposes of receiving employer contributions. Contributions to the plan are based on a match of the employee's own contribution, which is discretionary, up to a maximum of 2.5% of employee's eligible compensation.

Total contributions charged to expense for the plan was $64,413 for the year ended December 31, 2013.

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted contributions have been received and are available for the following purposes at December 31, 2013:

Activities	$ 1,535
Chapel Maintenance	6,305
Employee General Purpose	20,420
Employee Assistance	1,417
Total temporarily restricted net assets	$ 29,677

NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC Topic 820 *Fair Value Measurements and Disclosures* defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC Topic 820 describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or net asset value per share (or its equivalent) with the ability to redeem the investment in the near term.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position at December 31, 2013, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The Corporation has an interest in a Captive Insurance Company. The Corporation accounts for its investment based upon on its specifically identified premiums paid, hard costs incurred, paid losses, outstanding loss reserves and incurred but not reported reserves, plus the investment income, less dividend distributions multiplied by the percentage of cash in the captive as of the reporting date.

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities, and refundable fees approximate fair value due to the short maturity of such instruments.

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2013:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 2,978,114	$ -	$ -	$ 2,978,114
Capital investment in Captive Insurance	-	-	297,084	297,084
Total assets	$ 2,978,114	$ -	$ 297,084	$ 3,275,198

NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table reconciles the beginning and ending balances of recurring fair value measurements recognized in the accompanying financial statements using significant unobservable (Level 3) inputs:

		Level 3 Funds
Balance, January 1, 2013 (as restated)	$	496,537
Total realized and unrealized gains and losses:		
Included in changes in unrestricted net assets		41,560
Purchases, issuances and settlements		(241,013)
Balance, December 31, 2013	$	297,084

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Asbestos Abatement – The Corporation is aware of the existence of asbestos in certain of its buildings. The Corporation has not recorded a liability for any asbestos abatement costs because the coast cannot be reasonable estimated at this time. At such time in the future that plans are made to make changes to structures with asbestos and the related asbestos removal cost estimates are completed, the Corporation will record an estimate of the costs of the required asbestos abatement.

Health care reform – In March 2010, President Obama signed the Health Care Reform Legislation into law. The new law will result in sweeping changes across the health care industry. The primary goal of this comprehensive legislation is to extend health care coverage to approximately 32 million uninsured legal U.S. residents through a combination of public program expansion and private sector health insurance reforms. To fund the expansion of insurance coverage, the legislation contains measures designed to promote quality and cost efficiency in health care delivery and to generate budgetary savings in the Medicare and Medicaid programs.

The Corporation is unable to predict the full impact of the Health Care Reform Legislation at this time due to the law's complexity and current lack of implementing regulations or interpretive guidance. However, the Corporation expects that provisions of the Health Care Reform Legislation may have a material effect on its business.

Commercial Credit Line – The Corporation has two commercial credit line commitments from two financial institutions. The first credit line is from Citibank, in the amount of $500,000 with interest at 4.5%. The second credit line is from Farmers & Merchants bank in the amount of $700,000 with interest at 6.5%. During the period ending December 31, 2013 the Corporation drew $90,000 to pay for deferred maintenance. The Corporation repaid the line of credit draw on December 30, 2013. At December 31, 2013, there were no amounts outstanding on either of the credit lines.

Lifecare Agreement – The Corporation has agreed to enter into a Lifecare Agreement with a former member of executive management and his spouse. As part of this agreement, the entrance fee and all monthly fees (at all levels of care) will be waived. On January 16, 2012, the Lifecare Agreement was executed. The former executive has yet to move into the facility.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Corporation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Corporation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements were available to be issued.

The Corporation evaluated all events or transactions that occurred after December 31, 2013 up through June 27, 2014, the date the financial statements were available to be issued.

On January 30, 2014, the Corporation entered into a $2,500,000 Business Loan Agreement and Promissory Note with Farmers and Merchants Bank of Long Beach. The Corporation entered into the Business Loan Agreement for the purpose of assisting with the cost of deferred maintenance and upgrades. Monthly payments of principal and interest of $14,360 are due monthly commencing March 1, 2014. The initial fixed rate payment was calculated using a term of 300 months. Interest will be fixed at 4.75% for the first 60 months and will then reset to 2.75% over the weekly 10- year nominal constant maturity U.S. Treasury. The loan matures on February 1, 2024. The loan is secured by a Deed of Trust on the real property owned by the Corporation. As of June 27, 2014, the date the financial statements were available to be issued, the Corporation had an outstanding balance of $500,000 associated with the Business Loan Agreement.

CALIFORNIA FRIENDS HOMES
dba QUAKER GARDENS

CONTINUING CARE LIQUID RESERVE SCHEDULES
YEAR ENDED DECEMBER 31, 2013

WITH

INDEPENDENT AUDITOR'S REPORT

CALIFORNIA FRIENDS HOMES
dba QUAKER GARDENS

YEAR ENDED DECEMBER 31, 2013

Table of Contents

KDCO Piels
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
California Friends Homes, dba Quaker Gardens

We have audited the accompanying financial statements of California Friends Homes, dba Quaker Gardens (the Corporation), which comprise the continuing care liquid reserve schedules, Forms 5-1 through 5-5 ("Reports"), as of and for the year then ended December 31, 2013.

Management's Responsibility for the Continuing Care Reserve Schedules

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about the whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care liquid reserves of the Corporation as of and for the year then ended December 31, 2013, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared by the Corporation on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the members of the Board of Directors and management of the Corporation and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Stewart C. Parmele, CPA, Partner

Stewart C. Parmele CPA, Partner
KDCO Piels, Certified Public Accountants, LLP
Medford, Oregon
September 2, 2014

FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1					-
2					-
3					-
4					-
5					-
6					-
7					-
8					-
		TOTAL	-	-	-

(Transfer this amount to Form 5-3, Line 1)

Note: For column (b), do not include voluntary payments made to paydown principal.

PROVIDER: California Friends Homes
COMMUNITY: Quaker Gardens Senior Living

FORM 5-2
LONG-TERM DEBT INCURRED
During Fiscal Year
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
1					**N/A**
2					
3					
4					
5					
6					
7					
8					
			-	-	-

(Transfer this amount to Form 5-3, Line 2)

Note: For column (b), do not include voluntary payments made to paydown principal.

PROVIDER: California Friends Homes
COMMUNITY: Quaker Gardens Senior Living

FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

LINE		TOTAL
1	Total from Form 5-1 bottom of column (e)	-
2	Total from Form 5-2 bottom of Column (e)	-
3	Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance)	-
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	-

PROVIDER: California Friends Homes
COMMUNITY: Quaker Gardens Senior Living

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

		Amounts	TOTAL
1	Total operating expenses from financial statements		15,440,767
2	Deductions		
	a Interest paid on long-term debt (see instructions)	-	
	b Credit enhancement premiums paid for long-term debt (see instructions)	-	
	c Depreciation	500,927	
	d Amortization	-	
	e Revenues received during the fiscal year for services to persons who did not have a continuing care contract	13,351,242	
3	Total Deductions		13,852,169
4	Net Operating Expenses		1,588,598
5	Divide Line 4 by 365 and enter the result.		4,352
6	**Multiply Line 5 by 75 and enter the result.**		**326,387**
	This is the provider's operating expense reserve amount for this community.		

PROVIDER: California Friends Homes
COMMUNITY: Quaker Gardens Senior Living

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name:	California Friends Homes dba Quaker Gardens Senior Living
Fiscal Year Ended:	December 31, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2013 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal years as follows:

		Amount
[1]	Debt Service Reserve Amount	$ -
[2]	Operating Expense Reserve Amount	326,387
[3]	**Total Liquid Reserve Amount:**	$ 326,387

Qualifying assets sufficient to fulfill the above requirements are held as follows:

	Qualifying Asset Description	Amount (market value at end of quarter)	
	Description	**Debt Service Reserve**	**Operating Reserve**
[4]	Cash and Cash Equivalents	$ -	$ 2,978,114
[5]	Investment Securities	$ -	$ -
[6]	Equity Securities	$ -	$ -
[7]	Unused/Available Lines of Credit	$ -	$ 1,200,000
[8]	Unused/Available Letters of Credit	$ -	$ -
[9]	Debt Service Reserve	$ -	not applicable
[10]	Other: (describe qualifying asset)	$ -	$ -

Total Amount of Qualifying Assets:

	Debt Service Reserve	Operating Reserve
Listed for Reserve Obligation:	[11] $ -	[12] $ 4,178,114
Reserve Obligation Amount:	[13] $ -	[14] $ 326,387
Surplus/(Deficiency):	[15] $ -	[16] $ 3,851,727

Signature:

(Authorized Representative)

Date: September 2, 2014

Chief Executive Officer
(Title)

CALIFORNIA FRIENDS HOMES
dba QUAKER GARDENS

NOTES TO THE CONTINUING CARE LIQUID RESERVE SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 - BASIS OF ACCOUNTING

The accompanying reserve schedules Forms 5-1 through 5-5 on pages 3 through 7 have been prepared in accordance with the provisions of Health and Safety Code Section 1792 administered by the State of California Department of Social Services and are not intended to be a complete presentation of the California Friends Homes dba Quaker Garden's assets, liabilities, revenues, and expenses.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		INDEPENDENT LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period:	$ 2,649	$ 2,649	$ 2,649
[2]	Indicate percentage of increase in fees imposed during reporting period:	3.88%	3.88%	3.88%

[ ] Check here if monthly service fees at this community were not increased during the reporting period.

[3] Indicate the date the fee increase was implemented: January 1, 2013

[4] Check each of the appropriate boxes:

[X] Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

[X] All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

[X] At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

[X] At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

[X] The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

[X] The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER NAME:__California Friends Homes
COMMUNITY NAME:__Quaker Gardens Senior Living

Each year as part of our budget process we incorporate suggestions from residents on ways in which we can improve the services we provide. We also work closely with our department heads to include those suggestions where possible and to refine our program of services while keeping the costs as low as possible.

With so many different individuals: residents, employees and board members, our budget takes several months each year to prepare before it is finalized. The California Friends Home Board has reviewed and approved the budget for this next fiscal year.

Our goal each year is to produce a budget, which keeps monthly rate increases reasonable while continuing to maintain and improve the services we provide. The budget must cover inflationary increases (including the necessary adjustments to salaries and benefits to retain and attract quality employees), meet regulatory requirements and our actuarial reserve requirements.

Monthly Accomodation Fees for contract residents increased by 3.88%, while Monthly Accomodation Fees for private residents remained flat for the calendar year 2013. Our goal has been to build and staff Quaker Gardens Senior Living to provide a great place for the residents to live a happy and healthy life. We will be monitoring our services and implementing change as necessary.

We realize the importance of keeping fee increases to the most reasonable level possible and have made every effort to do so.

Quakers Gardens Senior Living
Revenue and Support - Non-contract resident revenue support schedule
December 31, 2013

Revenue and Support	**Reported on Audit**	**Contract**	**Non-Contract**
Service fees	9,016,254		
Contract Resident revenue		$ 1,292,369	
Non-Contract Resident revenue			$ 7,723,885
Health Center Revenue	5,993,543		
Contract Resident revenue		$ 366,186	
Non-Contract Resident revenue			$ 5,627,357
Total Service Fee / HC Revenue by contract	15,009,797	1,658,555	13,351,242

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: _____

FACILITY NAME: Quaker Gardens Senior Living

ADDRESS: 12151 Dale Street, Stanton ZIP CODE: 90680 PHONE: 714 530 9100

PROVIDER NAME: California Friends Homes FACILITY OPERATOR: ____

RELATED FACILITIES: ____ RELIGIOUS AFFILIATION: ____

YEAR OPENED: 1965 NO. OF ACRES: 7 MULTI-STORY: ___ SINGLE STORY: ___ BOTH: X

MILES TO SHOPPING CTR: ____ MILES TO HOSPITAL: ____

RECEIVED JUN 30 2014 CONTINUING CARE CONTRACTS BRANCH

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	31	ASSISTED LIVING	108
APARTMENTS – 1 BDRM	36	SKILLED NURSING	58
APARTMENTS – 2 BDRM		SPECIAL CARE	50
COTTAGES/HOUSES	5	DESCRIBE SPECIAL CARE:	Dementia Care
% OCCUPANCY AT YEAR END	83.4 %		

TYPE OF OWNERSHIP: ☒ NOT FOR PROFIT ☐ FOR PROFIT ACCREDITED: ☐ Y ☐ N BY: ____

FORM OF CONTRACT: ☒ LIFE CARE ☐ CONTINUING CARE ☒ FEE FOR SERVICE ☐ ASSIGN ASSETS ☐ EQUITY ☐ ENTRY FEE ☐ RENTAL

REFUND PROVISIONS (Check all that apply): ☐90% ☐75% ☐50% ☐PRORATED TO 0% ☐OTHER: ____

RANGE OF ENTRANCE FEES: $182,000 TO $600,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐Y ☒N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Yes

ENTRY REQUIREMENTS: MIN. AGE: 55 PRIOR PROFESSION: ____ OTHER: ____

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☒	☒
BILLIARD ROOM	☐	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☒	☐
CHAPEL	☒	☐
COFFEE SHOP	☐	☐
CRAFT ROOMS	☐	☐
EXERCISE ROOM	☒	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☒	☐
PUTTING GREEN	☒	☐
SHUFFLEBOARD	☐	☐
SPA	☐	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER: General Store	☒	☐

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	4	
NUMBER OF MEALS/DAY	3	
SPECIAL DIETS AVAILABLE	Yes	
24-HOUR EMERGENCY RESPONSE	☒	☐
ACTIVITIES PROGRAM	☒	☐
ALL UTILITIES EXCEPT PHONE	☒	☐
APARTMENT MAINTENANCE	☒	☐
CABLE TV	☒	☒
LINENS FURNISHED	☒	☐
LINENS LAUNDERED	☒	☐
MEDICATION MANAGEMENT	☒	☐
NURSING/WELLNESS CLINIC	☒	☐
PERSONAL NURSING/HOME CARE	☒	☐
TRANSPORTATION-PERSONAL	☐	☐
TRANSPORTATION-PREARRANGED	☒	☐
OTHER : Rehab Agency	☒	☐
	☐	☐

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: **California Friends Home**

CCRCs	LOCATION (City, State)	PHONE (with area code)
Quaker Gardens Senior Living (Life-Care)	Stanton, CA	714-530-9100

MULTI-LEVEL RETIREMENT COMMUNITIES

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

*** PLEASE INDICATE IF THE FACILITY IS LIFE CARE.**

PROVIDER NAME: ____

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS **OPERATING INCOME** (excluding amortization of entrance fee income)	13,654,290	14,692,694	14,759,756	15,185,725
LESS OPERATING EXPENSES (excluding depreciation, amortization, & interest)	13,682,824	13,970,250	13,902,079	14,939,840
NET INCOME FROM OPERATIONS	(28,534)	722,444	857,677	245,885
LESS INTEREST EXPENSE				
PLUS CONTRIBUTIONS	0	66,790	56,515	55,064
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	66,349	(187,573)	0	
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	37,815	601,661	914,192	300,949
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	804,500	518,000	541,000	0

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD

FINANCIAL RATIOS (see next page for ratio formulas)

	2007 CCAC Medians 50th Percentile *(optional)*	**2011**	**2012**	**2013**
DEBT TO ASSET RATIO		0.00	0.00	0.00
OPERATING RATIO		0.95	0.94	0.95
DEBT SERVICE COVERAGE RATIO		0.00	0.00	0.00
DAYS CASH-ON-HAND RATIO		69	69	73

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2010	**%**	**2011**	**%**	**2012**	**%**	**2013**
STUDIO	2385	3.77	2475	3.00	2550	3.88	2649
ONE BEDROOM	2385	3.77	2475	3.00	2550	3.88	2649
TWO BEDROOM							
COTTAGE/HOUSE	2385	3.77	2475	3.00	2550	3.88	2649
ASSISTED LIVING	2385	3.77	2475	3.00	2550	3.88	2649
SKILLED NURSING	2385	3.77	2475	3.00	2550	3.88	2649
SPECIAL CARE	2385	3.77	2475	3.00	2550	3.88	2649

COMMENTS FROM PROVIDER: ____

PROVIDER NAME: ______________________________

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\text{Total Operating Expenses} - \text{Depreciation Expense} - \text{Amortization Expense}}{\text{Total Operating Revenues} - \text{Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses} + \text{Interest, Depreciation, and Amortization Expenses} - \text{Amortization of Deferred Revenue} + \text{Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash And Investments} + \text{Unrestricted Non-Current Cash and Investments}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

KEY INDICATORS REPORT

California Friends Homes

Signature of Executive Director

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

	2006	2007	2008	2009	2010 (As restated)	2011	2012	2013	2014 (Forecast)	2015 (Forecast)	2016 (Forecast)	Preferred Trend Indicator
OPERATIONAL STATISTICS												
1. Average Annual Occupancy by Site (%)	94.00%	94.00%	94.00%	92.00%	83.00%	82.67%	86.00%	87.00%	88.00%	89.00%	90.00%	N/A
MARGIN (PROFITABILITY) INDICATORS												
2. Net Operating Margin (%)	-7.29%	-6.25%	-1.80%	0.94%	-3.61%	2.72%	5.67%	1.47%	3.92%	3.08%	2.27%	↑
3. Net Operating Margin - Adjusted (%)	0.13%	0.44%	3.81%	3.69%	2.15%	6.10%	9.01%	1.47%	4.83%	6.23%	5.35%	↓
LIQUIDITY INDICATORS												
4. Unrestricted Cash and Investments ($000)	1,721,005	1,740,315	1,796,904	1,690,072	1,757,410	2,646,959	2,656,920	2,678,613	3,204,695	3,969,020	4,569,825	↑
5. Days Cash on Hand (Unrestricted)	54	51	51	46	45	69	70	66	78	92	102	↑
CAPITAL STRUCTURE INDICATORS												
6. Deferred Revenue from Entrance Fees ($000)	1,228,688	977,010	795,252	839,071	926,990	888,988	662,715	951,680	1,240,645	1,529,610	1,818,575	N/A
7. Net Annual E/F proceeds ($000)	809,548	786,825	734,175	384,050	804,500	518,000	541,000	-	150,000	545,000	545,000	N/A
8. Unrestricted Net Assets ($000)	6,472,967	6,673,848	5,726,862	6,255,159	6,180,128	7,140,833	7,727,591	9,221,987	10,761,184	12,483,745	14,386,845	N/A
9. Annual Capital Asset Expenditure ($000)	415,107	632,913	610,310	399,432	1,325,481	380,410	341,635	375,799	413,378	454,716	500,188	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↑
11. Annual Debt Service Coverage (x)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↑
12. Annual Debt Service/Revenue (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↓
13. Average Annual Effective Interest Rate (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	↑
15. Average Age of Facility (years)	18.75	18.16	17.89	18.23	19.56	19.19	21.47	22.96	24.43	25.93	27.46	↓